

**MUNI**  
**LAW**

# **Local Taxes**

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# 3+1 basic types of laws as for their legal force

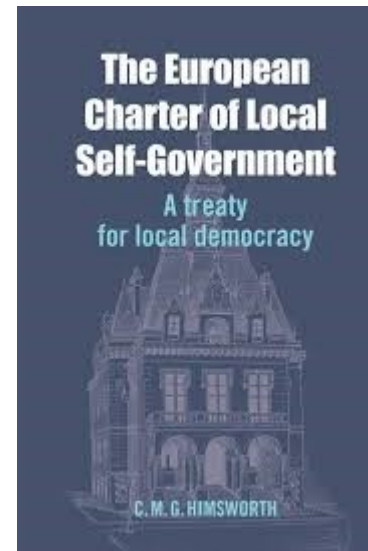
- International laws
- Constitutional laws
- Ordinary laws in the form of statutes
  - These may impose obligations on individuals and corporations, but these obligations have to comply with the limits set forth by the constitutional order.
- Ordinances and decrees (bylaws) issued by the bodies of executive power
  - These are rather supplementary to ordinary laws.

# European Charter of Local Self-Government

- Art. 9 presents some principles of economic independence of local self-government units granting financial resources of local authorities
  - local authorities shall be entitled to adequate financial resources of their own
  - part at least of the financial resources of local authorities shall derive from local taxes and charges
  - financial systems on which resources available to local authorities are based shall be of a sufficiently diversified and buoyant nature
  - principle of protection of financially weaker local authorities
  - principle of consultations with local authorities
  - grants to local authorities shall not be earmarked for the financing of specific projects
  - principle of access to the national capital market

# Reservations (examples)

- CZ: principles of local taxes, protection of financially weaker local authorities, consultations with local authorities
- SK: principles of sufficiently, diversified financial systems, protection of financially weaker local authorities, consultations with local authorities, grants not earmarked for the financing of specific projects, access to the national capital market
  - However, officialy none



# Constitutions

- Define municipalities (public law corporation)
- Set the right to own property
- Set the right to manage the affairs
- Set the right to own budget
- Define and specify sources of the property or the budget (not everywhere – CZ)
- Principle *nullum tributum sine lege* (no taxation without law; taxes and fees/charges can be imposed only by acts) – CZ: Charter of Fundamental Rights and Freedoms
- Everyone shall comply with his responsibilities and public duties, including the payment of taxes, as specified by statute

# Full vs limited self-government autonomy

- Taxes are imposed by act - State / by local bylaw - local self-government
- Too many different definitions of local tax: amount of money defined by law as revenue of local budgets, self government unit has right to impose this tax or anyhow influence the revenue setting the tax base, tax rate, or any of correction components
  - No matter if the taxpayer receives any compensation
  - No matter if it is paid regularly or irregularly
  - No matter who is the tax administrator
  - Includes taxes sensu stricto and charges

# Property tax CZ

- Municipalities only have the right to exempt immovable property affected by natural disasters, certain agricultural land (arable land, hop-fields, vineyards, orchards and permanent grass pastures), and immovable property in special industrial zones
- Municipalities are allowed to adjust those coefficients that influence the tax rate (the location rent, the municipal coefficient) or the tax itself (the local coefficient)
- Local revenues 4 %

# Property tax SK

- Municipality may decrease or increase (10x) the basic tax rate
- Municipalities are also allowed to adjust other construction elements of the taxes, such as additional reliefs, instalments, reporting duties, value of building lands & floor surcharge in case of the immovable property tax, particular means of the use of a public area, etc.
- Local revenues 12 %



# Local tax (or price?)



- voluntary vs obligatory
  
- PIT (shared or surcharge, HU)
- CIT (shared or surcharge)
- VAT (shared)
- Property taxes incl. transfer taxes
- Motor vehicle taxes
- Local excise and sales taxes
- User charges (water supply and sewerage, electricity, gas. etc.)
- Business registration and other registration taxes
- Tourist taxes
- Poll taxes
- Betterment fees incl. building permits, planning permissions etc.
- Local wage taxes
- Animal taxes (dogs, cows, etc.)
- Communal waste tax
- etc.

- CHOOSE THE BEST LOCAL TAXES!!!
- Property tax is no. 1 local tax
- THINK ABOUT THE TAX BASE!!!
  - Unit vs ad valorem
  - Re-evaluations
  - Rates
  - Competences of local officials (basic rates vs local rates)
  - Costs vs revenues
  - Easy administration and control
  - Self-application
- Revenues vs costs – economic and political issues

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**Thank You**